



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FLOYD COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FLOYD COUNTY CLERK

Calendar Year 2000

The Floyd County Clerk was issued an unqualified opinion. However, the audit did reveal a noncompliance which is listed below.

- The County Clerk Should Require Depository Institutions To Pledge or Provide Sufficient Collateral To Protect Deposits

Financial Condition:

The Floyd County Clerk collected \$7,849,952 in taxes, fees, and commissions. He distributed the appropriate amounts to the taxing districts as required. After deducting distributions to the taxing districts and operating expenses the clerk had \$50,231 of excess fees which were paid to the fiscal court.

Former County Clerk Comment:

- The Fiscal Court Should Provide Funding To Former County Clerk Carla Robinson Boyd In The Amount Of \$10,781 For The Period January 1, 1999 Through April 15, 1999

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Paul Hunt Thompson, Floyd County Judge/Executive

Honorable Chris Waugh, Floyd County Clerk

Honorable Carla Robinson Boyd, Former Floyd County Clerk

Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Floyd County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Paul Hunt Thompson, Floyd County Judge/Executive
Honorable Chris Waugh, Floyd County Clerk
Honorable Carla Robinson Boyd, Former Floyd County Clerk
Members of the Floyd County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated August 16, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Former County Clerk Comment:

- The Fiscal Court Should Provide Funding To Former County Clerk Carla Robinson Boyd In The Amount Of \$10,781 For The Period January 1, 1999 Through April 15, 1999

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 16, 2001

FLOYD COUNTY
CHRIS WAUGH, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Receipts:

Libraries and Archives Grant	\$ 16,386	
State Fees For Services	<u>15,740</u>	\$ 32,126

Fiscal Court		32,430
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	983,171
Usage Tax	3,171,071
Tangible Personal Property Tax	2,551,804

Licenses-

Fish and Game	14,132	
Property Bonds	1,431	
Marriage	16,766	
Occupational	1,057	
Beer and Liquor	14,000	
Deed Transfer Tax	25,204	
Delinquent Tax	<u>755,792</u>	7,534,428

Fees Collected for Services:

Recordings-

Fixture Filings	\$ 1,576
Releases - Mortgages	13,630
Deeds, Easements, and Contracts	23,192
Real Estate Mortgages	34,646
Chattel Mortgages and Financing Statements	107,077
Powers of Attorney	1,338
Mechanics Liens	5,287
Notary Bonds	2,048
All Other Recordings	23,858

Charges for Other Services-

Copywork	<u>6,208</u>	218,860
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FLOYD COUNTY
CHRIS WAUGH, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Receipts (Continued)

Other:

Postage	\$	1,779	
Miscellaneous		55	
Refunds		16,766	
Child Assistance Fund		26	
Overage		711	\$ 19,337

Interest Earned			12,771
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Gross Receipts			\$ 7,849,952
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Disbursements

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	746,703	
Usage Tax		3,071,532	
Tangible Personal Property Tax		859,344	
Licenses-			
Fish and Game		10,230	
Delinquent Tax		86,312	
Legal Process Tax		21,790	\$ 4,795,911

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	331,013	
Delinquent Tax		92,353	
Deed Transfer Tax		23,697	
Occupational Licenses		915	
Beer and Liquor Licenses		12,873	
Notary Commission		60	
Fire Acreage Tax		283	
Advertising		699	461,893

Payments to Other Districts:

Tangible Personal Property Tax	\$	1,259,363	
Delinquent Tax		375,276	1,634,639

FLOYD COUNTY
 CHRIS WAUGH, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Payments to Sheriff	\$	20,410	
Payments to County Attorney		122,897	
Operating Disbursements and Capital Outlay:			
Personnel Services-			
Deputies Salaries		467,555	
Employee Benefits-			
Employer's Share Social Security		38,599	
Employer's Paid Life Insurance		1,027	
Other Payroll Disbursements		3,321	
Contracted Services-			
Advertising		3,272	
Printing and Binding		6,400	
Materials and Supplies-			
Office Supplies		25,826	
Other Charges-			
Conventions and Travel		2,229	
Postage		10,196	
Office Remodeling and Repair		1,201	
Office Utilities		11,797	
Office Cleaning		6,255	
Errors and Omission Bond		1,124	
Rental Fees		8,375	
Tax Bill Preparation		7,062	
Audit Fees		7,000	
Election Expense		27,351	
Refunds		5,768	
Refunds - Overpayments		16,595	
Libraries and Archives Grant Expenditures		16,386	
Miscellaneous		2,113	
Capital Outlay-			
Office Equipment		4,789	
Debt Service:			
Lease Purchases		21,882	
Total Disbursements			\$ 7,731,873

FLOYD COUNTY
CHRIS WAUGH, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Net Receipts		\$	118,079
Less: Statutory Maximum			<u>63,542</u>
Excess Fees		\$	54,537
Less: Expense Allowance	\$	3,600	
Training Incentive Pay		<u>706</u>	<u>4,306</u>
Excess Fees Due County for Calendar Year 2000		\$	50,231
Payment to County Treasurer - March 1, 2001	\$	55,397	
Less Refund of Excess Fees Overpaid - August 2, 2001		<u>5,166</u>	<u>50,231</u>
Balance Due at Completion of Audit		\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

FLOYD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2000
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 6, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$83,930 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 6, 2000:

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 500,000
FDIC Coverage	100,000
Uncollateralized and unsecured	<u>83,930</u>
Total	<u><u>\$ 683,930</u></u>

FLOYD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2000
 (Continued)

Note 4. Leases

Commitments to the following lease agreements as of December 31, 2000 were:

Item Purchased	Montly Payment	Term of Agreement	Ending Date	Total Balance December 31, 2,000
Xerox Copier	\$513	60 Months	September 2001	\$4,617
Xerox Copier	\$294	60 Months	September 2001	\$2,646
Computer Equipment	\$1,281	60 Months	April 16, 2005	\$67,893

Note 5. Libraries And Archives Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$16,386. Funds totaling \$16,386 were expended during calendar year 2000. The unexpended grant balance was \$0 as of December 31, 2000.

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COMMENT AND RECOMMENDATION

FLOYD COUNTY
CHRIS WAUGH, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 2000

STATE LAWS AND REGULATIONS:

The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On April 6, 2000, \$83,930 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Clerk's Response:

The recommendation is that, I as the county clerk require the bank to pledge or provide sufficient collateral to protect the money that the clerk's office deposited in their bank.

I feel strongly that I have done this, I have a security agreement with a bank that states in the agreement that they will secure any amount of money that the Floyd County Clerk's Office deposits into their bank.

I do understand that on April 6, 2000 that the depository institution had \$83,930 that was uninsured but I believe that it was secured. I believe the bank would have honored the security agreement to cover the stated amount and the bank has told me that it had other financial sources of security to cover the \$83,930 had anything happened.

PRIOR YEAR FINDINGS:

See former County Clerk's comment and recommendation.

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COMMENT AND RECOMMENDATION - FORMER COUNTY CLERK

FLOYD COUNTY
CARLA ROBINSON BOYD, FORMER COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 2000

1. The Fiscal Court Should Provide Funding To Former County Clerk Carla Robinson Boyd In The Amount Of \$10,781 For The Period January 1, 1999 Through April 15, 1999

During the period January 1, 1999 through April 15, 1999, the former County Clerk's office fee account expended \$10,781 more for allowable expenditures than it received in fees and other revenue receipts. The fiscal condition prevented the former County Clerk from receiving her full statutory maximum salary in accordance with the salary schedule set out in KRS 64.5275. KRS 64.535 states that the clerk shall receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275. This statute mandates that the former County Clerk is entitled to receive her statutory maximum salary, even if her office fails to generate sufficient fees and other revenues to cover all allowable expenses of her office, including the expense of the former County Clerk's maximum salary as set out in the salary schedule in KRS 64.5275. Thus, because the former County Clerk's office has a revenue shortfall and is unable to pay all allowable expenses, including the expense of the former County Clerk's maximum salary, out of the fees and other revenues generated by her office, it is the responsibility of the fiscal court to provide funding for the former County Clerk's 1999 statutory maximum salary. The Floyd County Fiscal Court should fund the former County Clerk's statutory maximum salary amount for the period January 1, 1999 through April 15, 1999, by covering the former County Clerk's office fee account revenue shortfall of \$10,781.

Former County Clerk Carla Robinson Boyd's Response:

Okay.

County Judge/Executive's Response:

No Comment.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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Honorable Carla Robinson Boyd, Former Floyd County Clerk

Members of the Floyd County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Floyd County Clerk for the year ended December 31, 2000, and have issued our report thereon dated August 16, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Floyd County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards.

- The County Clerk Should Require Depository Institutions To Pledge or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 16, 2001

